

State Revolving Loan Fund

Clean Water
SRF

*South Carolina's
Intended Use Plan
for
Fiscal Year 2004*

**October 2003
Final**



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I. Introduction

The federal Clean Water Act (CWA) amendments of 1987 authorized a Clean Water State Revolving Fund (CWSRF) to assist sponsors with the financing of publicly owned treatment facilities (Section 212) and nonpoint source management activities (Section 319). Title VI, Section 601 of the CWA authorizes the Administrator of the US Environmental Protection Agency (EPA) to award capitalization grants to states for the purpose of establishing a low-interest loan program to assist eligible CWSRF project sponsors. The South Carolina Department of Health and Environmental Control (DHEC) is the designated state agency to apply for and administer the capitalization grant for the CWSRF. The State Budget and Control Board (BCB), Office of Local Government, conducts financial functions and makes loans to project sponsors. South Carolina's allotment of the CWSRF funds appropriated by Congress for Fiscal Year (FY) 2004 is expected to be approximately \$13,700,000.

The 1996 amendments to the federal Safe Drinking Water Act (SDWA) authorized a Drinking Water State Revolving Fund (DWSRF), and in Section 302 of the amendments, provided for transfer of funds for any fiscal year (FY) from the CWSRF to the DWSRF—or from the DWSRF to the CWSRF—to afford greater flexibility to address needs and priorities. Such transfers are limited to an amount equal to 33% of the funds in the affected DWSRF capitalization grant.

Section 606(c) of the CWA requires that an Intended Use Plan (IUP) be developed, reviewed by the public and submitted as part of the state's grant application package to EPA. The purpose of the IUP is to describe how the state intends to use the funds in the CWSRF for the year and how those uses support the objectives of the CWA in the protection of public health and the environment. In the case of funds-transfers between SRF programs, IUPs for both the transferring and receiving programs, for the applicable fiscal years, must reflect such transfers and be circulated for public notice in accordance with established public participation procedures.

New information for FY 2004. SRF loan interest rates are significantly lower for FY 2004. Please see Section VI.E. for further details. In addition, the policy of year-round open availability for entry of new SRF projects is highlighted in new Section III.D.

II. Short and Long Term Goals

South Carolina has identified several short and long term goals to guide the CWSRF program and ensure maximum benefits to public health and the environment.

A. Short Term Goals

1. Through outreach to potential sponsors and other incentives, work to increase the number of nonpoint source SRF projects.
2. Work with EPA and prospective coastal SRF sponsors to investigate and decide whether SRF funding can aid in remediating, through appropriate construction methods, the longstanding and widespread problem of open urban storm water discharges to South

Carolina's beaches.

B. Long Term Goals

1. Continue the implementation of the CWSRF Program in perpetuity.
2. Establish and manage an effective and efficient CWSRF loan program by developing and implementing administrative rules and guidance that support the functioning of the program while ensuring compliance with the intent of the CWA.
3. Support the meeting of final effluent limits by all municipal facilities (POTWs).
4. Meet, in general, water quality standards of all water bodies in the State.
5. Ensure that the CWSRF generates sufficient earnings such that the fund principal is not adversely affected by inflation.

III. Project Selection

A. Priority Ranking System

The CWA requires that states develop a list of potential projects to be funded from the CWSRF and rank them in priority order. When the CWSRF was first created, the primary focus was the funding of "treatment works" projects. As a result, the ranking system by which South Carolina prioritized and selected construction projects focused on municipal wastewater collection and treatment systems.

In 1996, a joint state/EPA workgroup issued a policy document entitled *The Clean Water State Revolving Fund Funding Framework: Funding to Solve Our Nation's Water Quality Problems*. The *Funding Framework* encourages all states to integrate their planning and priority setting systems, and recommends two alternatives for doing so: a goals approach, or an integrated ranking system. South Carolina chose the latter approach.

DHEC's system for ranking potential CWSRF projects is designed to equally evaluate municipal wastewater and nonpoint source projects according to priorities established by South Carolina to improve water quality. The ranking system is outlined in DHEC's document entitled *CWSRF Integrated Priority Ranking System for Wastewater and Nonpoint Source Projects* [IPRS]. This document may be found on DHEC's Internet web site at www.scdhec.gov/water/html/srf.html.

B. Priority List of CWSRF Projects

Using the IPRS, DHEC develops a priority list of CWSRF projects, also located at the above web site. An eligible project may be added to the list at any time by completing a project questionnaire, which can be found in Appendix A of the IPRS document, and forwarding it to DHEC's SRF Section for review. For more information on how an eligible project sponsor may add a project to the list, please refer to the IPRS document and the preamble to

the *Priority List of CWSRF Projects*.

Note: To be considered for funding, a project must appear on the *Priority List of CWSRF Projects*.

C. Selecting Projects for Funding

The selection of projects for funding will be based on the projects' ranking and the sponsors' readiness to proceed at the time the IUP is drafted. A project will be considered ready to proceed if the sponsor expects, by April 1, to have received a construction permit from the SRF Section and to have submitted a complete SRF loan application to the BCB. The sponsor of such a project will have until April 1 to submit a complete loan application to insure its funding priority. After April 1, loan applications will be accepted on a first-come, first-served basis until the available funds are exhausted or until July 31, whichever occurs first.

In the event the BCB receives complete applications for two or more projects on the same day, the highest-ranked project(s) will receive priority for funding.

For large projects, DHEC and BCB reserve the right to impose a limit on the amount of any given CWSRF loan, regardless of ranking, and to consider a sponsor's ability to obtain financing from other sources.

Note: IUPs are prepared annually. The drafting of the IUP for public comment will normally occur during the Month of August.

D. Addition of New Projects

Attachment A lists the projects on the current priority list to be funded, based on readiness to proceed and other factors. *The listing in Attachment A does not preclude the opportunity for other projects to receive funding in FY 2004. All prospective project sponsors with sewer facility needs are encouraged to contact the Department as soon as possible to add their projects to the priority list to be considered for funding in FY 2004 or next year.*

IV. Eligibility Criteria

A. Project Sponsors

An eligible CWSRF project sponsor means a county, municipality, special purpose district, commissioners of public works, or any other public agency of the state which may own or operate a project, and includes any combination of two or more of these entities acting jointly to construct, own or operate a project.

B. Water Quality Management (WQM) Plans

Pursuant to Section 208 of the Clean Water Act, all CWSRF projects must conform to the applicable WQM plan. In general, CWSRF project sponsors must have the status of designated WQM management agencies. In certain cases, the WQM management agency-

designation process may be pursued concurrently with the CWSRF project.

C. Land

Land is eligible for a CWSRF project only if it is an integral part of the wastewater treatment process, as, for example, in a land application project. Land required merely for *sites* for treatment works and pump stations, rights-of-way, easements, etc., is not eligible. In the CWSRF program, land may be acquired under proper eminent domain procedures, where necessary.

D. Planning and Design Costs

A CWSRF loan may include the costs of project planning and services incurred prior to construction (e.g., costs associated with preparing the PER, plans and specifications, advertising, pre-bid conference, bidding procedures, pre-construction conference, loan application, administration). Only those costs for which there is a clear documentation of expenses incurred solely for the proposed project and are dated no earlier than 36 months prior to the date of a complete loan application to the BCB, are eligible for funding under the CWSRF program.

E. Legal and appraisal fees

In general, legal and appraisal costs associated with obtaining land (rights-of-way and easements), and attorney fees associated with the SRF loan application and loan closing process are eligible. Legal and appraisal costs associated with obtaining land are **not** eligible for funding under the CWSRF program if incurred earlier than one year prior to the date of submission of a complete loan application package.

F. Construction costs

Construction costs include the estimated costs associated with the construction of the project by a contractor. The CWSRF may provide assistance for the costs associated with engineering services during construction, such as inspections, change orders, overview of contractors, shop drawings, record drawings, concrete or soil testing, pay estimates, and draw requests.

Equipment that is directly purchased by the sponsor, such as pumps, generators, etc., are eligible. Materials, such as pipe, valves, brick mortar, etc., that are directly purchased by the sponsor are eligible. The materials may be installed either by a contractor or by the sponsor using its own employees and equipment. Eligibility is limited to the **cost** of materials. The costs of supplies such as fuel, oil and tools used by the sponsor to install the materials are not eligible for funding under the Clean Water SRF program. Additionally, force account labor is not eligible.

G. Contingency

The SRF program allows a contingency of 2.5% with a cap at \$100,000 for materials that are directly purchased by the sponsor.

The SRF program allows a contingency for construction of 5% with a cap of \$500,000.

There is no contingency allowed on equipment; therefore, it is recommended the engineer obtain current price quotes in estimating the equipment costs.

H. Phasing of a CWSRF Project

To make construction and/or funding more manageable, a project may be divided into separately-funded phases or segments, at the option of the sponsor. However, to be CWSRF-eligible, any such phase or segment must be of reasonable scope and, when constructed, must have the capability of being placed into immediate full operation, i.e., without its full operation being dependent on a subsequent project phase or segment or other outside operation yet to be completed. After a given project phase is funded, subsequent phases must stand separately in competing with other projects for priority list ranking in later fiscal years.

I. Projects Not Eligible for Funding

The CWSRF will not provide funding assistance for the following projects and activities:

1. Refinancing of any existing debt;
2. Projects for systems that lack adequate technical, managerial and financial capability;
3. Projects exclusively correcting operation and maintenance deficiencies;
4. Projects for systems in NPDES noncompliance, unless funding will ensure compliance; and,
5. Projects that are not placed into active operation within a reasonable period of time (not to exceed one year from the date construction is completed).

V. Public Participation

A "Notice of Availability" of this draft IUP was mailed to each project sponsor on the priority list, and to other interested parties. In addition, a notice of availability was published in *The State*, *The Greenville News*, *The Post and Courier*, and the *Sun News* (daily newspapers) on Sunday, September 7, 2003. During the public notice period, the notice and draft document was posted on DHEC's Internet Web site at www.scdhec.gov/water/html/srf.html. Interested parties were invited to review and submit written comments on the draft IUP by October 7, 2003. No comments were received.

VI. Distribution of Funds

A. Amount of Capitalization Grant for FY 2004

The amount of the CWSRF capitalization grant expected for FY 2004 will be approximately \$13,700,000.

B. State 20% Match Requirement

One condition of receiving the allotment is that the state must deposit in the CWSRF an amount equal to at least 20% of the total amount of the capitalization grant. South Carolina

will match the required amount of approximately \$2,740,000 through cash deposits.

C. Administration of the CWSRF Program

The CWA allows states to use a portion of the capitalization grant for the purpose of administering the program. DHEC plans to use up to 4%, or approximately \$548,000, for program management, including hiring staff, paying operational expenses and providing technical assistance to potential loan applicants.

D. Total Funds Available for Loans for FY 2004

Balance of funds available as of July 31, 2003	\$31,316,124
Transfer, FY 2001 DWSRF to FY 2003 CWSRF	3,321,925
 FY 2004 capitalization grant less 4% for administration	 13,152,000
FY 2004 state matching funds	2,740,000
 Estimated repayments for FY 2004	 21,321,000
Estimated earnings for FY 2004	4,400,000
 Total Funds Available	 <u>\$76,251,049*</u>

* Does not include additional funds that
will become available during the year

E. Interest Rates

Significantly reduced interest rates for CWSRF loans are in effect for FY 2004, due to all-time low market rates and increased discounts to the Bond Buyer 25 Revenue Bond Index. Small-system, nonpoint source and "hardship" projects, as well as projects involving assumption of non-viable systems, qualify for further reductions. For a complete list of SRF interest rates for FY 2004, go to the BCB web site at <http://www.state.sc.us/lgovern/interest-rates.htm>.

Attachment

**SOUTH CAROLINA
FISCAL YEAR 2004 LIST OF
SELECTED PROJECTS FOR FUNDING**

SOUTH CAROLINA - CWSRF IUP
Fiscal Year 2004 List of Selected Projects for Funding

					Ranking	
	Sponsor/ Project Name	DHEC Project Number	SRF Loan Amount Estimate	PROJECT DESCRIPTION	Total Points	Is the sponsor ready to proceed with the project? (yes/no)
1	GWSA Schwartz Plant Expansion 0037753	381-61	\$18,503,000	Schwartz Plant Expansion	75	yes
2	City of Georgetown Hwy. 17 Drainage Improvements	412-12	\$2,000,000	Drainage area improvements for an approximate 200-Acre drainage basin	75	yes
3	Anderson County Starr/Iva Area Sewer	379-06	\$1,500,000	Construction of over 5 miles of gravity sewer and over 19 miles of force mains to serv the townes of Starr and Iva	70	yes
4	Fripp Island PSD Wastewater Collection System Expansion	720-02	\$3,980,173	Construction of a wastewater collection system to serve several unsewered areas of the Island which would alleviate non-point source pollution of adjacent shell fish waters.	35	yes
5	Fripp Island PSD New Tertiary WWTP for Fripp Island	720-01	\$5,279,269	Construction of a new Wastewater Treatment Plant (Tertiary treatment) to replace existing plant and provide wastewater treatment for unsewered areas currently using septic tanks.	35	yes
6	BJWSA Port Royal Island Water Reclamation Facility	520-17	\$25,000,000	Construction of a new Water Reclamation Facility (WRF) to serve the existing and future areas of Port Royal Island.	35	yes
7	City of Florence Retention Pond System NPS Project	378-18	\$1,000,000	Purchase of 20 acres of land in East Florence to construct a retention pond system to serve as a large stormwater outfall for the City of Florence.	25	yes
TOTAL			\$57,262,442			